

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary    Public

**Date:** 12/3/2013

**GAIN Report Number:** ID1357

## Indonesia

**Post:** Jakarta

### Indonesia Cotton Update November 2013

**Report Categories:**

Cotton and Products

**Approved By:**

Ali Abdi

**Prepared By:**

Thom Wright, Sugiarti Meylinah

**Report Highlights:**

Post estimates that in marketing years (MY) 2012/13 and 2013/14, Indonesia's cotton production will remain stable at 30,000 bales . MY 2013/14 Indonesian cotton consumption and imports are expected to increase to 2.7 million bales, as compared to 2.5 million bales in MY 2012/13. Increased consumption and imports are due to rising local and global demand for textiles, and declining international prices. The Indonesian National Statistics Agency estimates that textile products made up almost 1.5 percent of total Indonesian national gross domestic product in 2012. The Indonesian textile and textile products sectors employ about 1.5 million workers, slightly more than 10 percent of Indonesia's total manufacturing workforce in 2012.

## **Executive Summary:**

### **General Information:**

#### **Production:**

Indonesia produces only 0.3 percent of its total domestic demand for cotton. Indonesian cotton producers receive little support from the Government of Indonesia (GOI) and cotton farmers generally find greater economic incentives to grow other crops. Increased land conversion to nonagricultural uses has also reduced the area dedicated to cotton. However, favorable weather during 2012 provided opportunities for a slight expansion of cotton area. Most Indonesian cotton is grown on marginal land on South Sulawesi, East Java, West Nusa Tenggara, and Central Java. Farmers have a very limited access to high yielding varieties and proper cultivation practices due to financial constraints. Therefore, Post estimates that in MY 2012/13 and MY 2013/14, Indonesia's cotton production will remain stable at 30,000 bales as in MY 2011/12.

The Indonesian textile industry plays a significant role in the Indonesian macro economy. The number of textile and textile companies increased to 2,930 in CY2012 with a total investment of IDR 164.8 billion, compared to 2,880 in CY2011. According to Indonesian industry sources, the Indonesian textile and textile products sectors employ about 1.5 million workers, slightly more than 10 percent of Indonesia's total manufacturing workforce in 2012. They are divided amongst the fabric industry (37 percent), garment workers (35 percent), yarn production (8 percent), fiber production (1 percent), and others (19 percent).

In CY 2012, Indonesian textile mills ran at about 70 - 80 percent capacity, with a total of 7.85 million spindles and 110,000 rotors. Industry sources note that the majority of the machines used in Indonesia are at least 20 years old. The GOI has launched an industry revitalization program to address this in 2007. In 2012 a total of 149 textile companies registered to join the program and a total of IDR 147.52 billion in funding has been distributed.

As a labor intensive industry, recent labor union demands for wage increases are influencing Indonesian textile production. Significant wage increases implemented in early 2013 have forced some textile manufactures to relocate from Jakarta to parts of Java with lower minimum wage increases. Some textile manufacturers are concerned that higher wages will lead to lower productivity and consumption of raw materials despite higher textile demand from the United States and other importing countries. As of November 1, 2013, nine provinces (out of 33 provinces with proposed increases) have implemented wage increases for CY 2014. Those provinces are Central Kalimantan, West Kalimantan, Jambi, Southeast Sulawesi, West Sumatera, Bangka Belitung, Papua, Bengkulu, and West Nusa Tenggara.

#### **Stocks:**

Ending stock estimates are virtually unchanged, with slight increases in MY 2012/13 to 506,000 bales, and 531,000 bales in 2013/14. This reflects unchanging production and consumption growth matching import growth.

#### **Marketing:**

GOI and Industry sources state that Indonesian imports are likely to increase slightly in 2013/14 due to

strong local demand for Indonesian textile products and declining international yarn prices (relative to viscose and rayon yarn). They also note that improving global demand for textile products, particularly in the United States and Japan, is offsetting stagnant European demand. Industry reports that many smaller firms continue to suffer from cotton price volatility in 2011, and that a slow recovery is underway. As a result, Post estimates that Indonesian imports and consumption of cotton in MY 2013/14 will increase to 2.7 million bales compared to 2.5 million bales realized in MY 2012/13.

Brazil led the world in cotton exports to Indonesia in MY2012/13 with 29 percent market share, followed by the United States with 22 percent, and Australia with 21 percent. Cotton from India, Brazil, and African countries are considered adequate by Indonesian industry standards and are readily used. During the period of January – July 2013, Indonesia exported most of its yarn to China (54 percent), Japan (19 percent), South Korea (5 percent), and Turkey (4 percent).

The Indonesian National Statistics Agency (*Badan Pusat Statistik, BPS*) estimates that textile products made up almost 1.5 percent of total Indonesian national gross domestic product (GDP) in 2012. BPS data further indicated that Indonesian textile and related product exports amounted to 6.6 percent of total Indonesian national exports in calendar year 2012 and 7.4 percent during the January – July 2013 period. In CY 2012, Indonesia exported about 33 percent of its textile and textile products to the United States, 17 percent to the European Union, 6.6 percent to other ASEAN countries, and 8.6 percent to Japan. Industry sources state that the volume of Indonesia's textile and related product exports in CY 2013 increased by 0.6 over CY2011 percent to 1.95 million tons, (although the actual value declined by 6.0 percent to \$12.46 billion).

In CY 2012, Indonesia imported approximately 1.89 million tons of textile products, valued at \$8.14 billion. China (31.7 percent) and the Republic of Korea (18.4 percent) account for the largest suppliers of textiles to Indonesia in CY2012. Chinese products are generally cheaper than domestically produced textiles and are considered comparable in terms of quality. The spinners association reported that although cotton and man-made yarn prices are declining, cotton yarn prices are relatively higher than viscose and rayon yarn in world markets. The declining rupiah, combined with higher cotton yarn prices provides higher margins for cotton yarn exports.

#### **Production, Supply and Demand Data Statistics :**

TABLE 1. PSD COTTON (HS CODE 520) IN BALES

Cotton	Indonesia		2011/2012		2012/2013		2013/2014	
			Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0	0	0	0	0
Area Harvested	9	9	10	10	9	9	9	9
Beginning Stocks	454	454	479	479	504	506	504	506
Production	30	30	30	30	30	30	30	30
Imports	2,300	2,300	2,600	2,500	2,700	2,700	2,700	2,700
MY Imports from U.S.	0	0	0	0	0	0	0	0
Total Supply	2,784	2,784	3,109	3,009	3,234	3,236	3,234	3,236
Exports	5	5	5	3	5	5	5	5
Use	2,250	2,250	2,550	2,450	2,650	2,650	2,650	2,650
Loss	50	50	50	50	50	50	50	50
Total Dom. Cons.	2,300	2,300	2,600	2,500	2,700	2,700	2,700	2,700
Ending Stocks	479	479	504	506	529	531	529	531
Total Distribution	2,784	2,784	3,109	3,009	3,234	3,236	3,234	3,236

Stock to Use %	21	21	20	21	20	20
Yield	726.	726.	653.	653.	726.	726.

Note: last column of each marketing year is not official USDA data.

TABLE 2. PSD COTTON (HS CODE 5201) IN MT

Cotton Indonesia	2011/2012		2012/2013		2013/2014	
	Market Year Begin: Aug 2011		Market Year Begin: Aug 2012		Market Year Begin: Aug 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	0	0	0	0		0
Area Harvested	9	9	9	9		10
Beginning Stocks	98,848	98,848	104,291	104,291	109,734	110,170
Production	6,532	6,532	6,532	6,532	6,532	6,532
Imports	500,771	500,771	566,089	544,316	587,861	587,861
MY Imports from U.S.	0	0	0	0	0	0
Total Supply	606,150	606,150	676,911	655,139	704,127	704,563
Exports	1,089	1,089	1,089	653	1,089	1,089
Use	489,884	489,884	555,202	533,430	576,975	576,975
Loss	10,886	10,886	10,886	10,886	10,886	10,886
Total Dom. Cons.	500,771	500,771	566,089	544,316	587,861	587,861
Ending Stocks	104,291	104,291	109,734	110,170	115,177	115,613
Total Distribution	606,150	606,150	676,911	655,139	704,127	704,563
Stock to Use %	21	21	20	21		20
Yield	605.	158,016.	605.	158,016.		142,214.

Note: Last column of each Marketing Year is not official USDA data.

## Author Defined:

### TRADE MATRIXES

TABLE 3. COTTON IMPORT TRADE MATRIX (MY 2012 - 2013)

<b>Country</b>	Indonesia	
<b>Commodity</b>	Cotton	
<b>Time Period</b>	Aug - Jul	Units: 1,000 MT
<b>Imports for:</b>	2011/12	Imports for: 2012/13
U.S.	72	U.S. 116
Others		Others
Brazil	143	Brazil 152
Australia	83	Australia 111
Pakistan	41	India 28
Greece	36	Mali 23
India	29	Greece 23
Argentina	16	Tanzania 22
Cote d'Ivoire	12	Cote d'Ivoire 22
Tanzania	11	Mozambique 19
Burkina Faso	9	Pakistan 15
Uganda	9	Argentina 11
South Africa	8	Uganda 11
Zimbabwe	7	South Africa 10
Mali	7	Zimbabwe 10
Mozambique	6	

Switzerland	4		
Malaysia	4		

Total for Others	425	Total for Others	457
Others not Listed	47	Others not Listed	15
Grand Total	544	Grand Total	588

Source: Global Trade Atlas.

TABLE 4. COTTON EXPORT TRADE MATRIX (MY 2012 – 2013)

**Export Trade Matrix**

<b>Country</b>	Indonesia		
<b>Commodity</b>	Cotton, HS Code 5201		
Time Period	Aug-Jul	Units:	MT
Exports for:	2011/12		2012/13
U.S.	0	U.S.	0
Others		Others	
Taiwan	309	Thailand	743
India	146	Japan	406
Sri Lanka	112		

Total for Others	567	1149
Others not Listed	37	14
Grand Total	604	1163

Source: Global Trade Atlas.

TABLE 5. COTTON YARN IMPORT TRADE MATRIX (CY 2011 – 2013)

**Import Trade Matrix**

<b>Country</b>	Indonesia		
<b>Commodity</b>	Yarn		
Time Period	Jan-Dec	Units:	1,000 MT
Exports for:	2011		2012
U.S.	0	U.S.	0
Others		Others	Others
China	5	Vietnam	7
India	2	South Korea	5
Vietnam	2	India	5
Malaysia	2	China	4
Pakistan	2	Hong Kong	1
South Korea	1		
Taiwan	1		
Thailand	1		
Hong Kong	1		

Total for Others	17	Total for Others	22	Total for Others	11
Others not Listed	0	Others not Listed	0	Others not Listed	0
Grand Total	17	Grand Total	22	Grand Total	11

Source: Global Trade Atlas.

TABLE 6. COTTON YARN EXPORT TRADE MATRIX (CY 2011 – 2013)

**Export Trade Matrix**

<b>Country</b>	Indonesia				
<b>Commodity</b>	Yarn				
Time Period	Jan-Dec	Units:	1,000 MT		
Exports for:	2011		2012		2013
U.S.	1		2		1
Others		Others		Others	
Japan	17	China	32	China	35
China	11	Japan	18	Japan	12
South Korea	8	South Korea	7	South Korea	3
Bangladesh	4	Hong Kong	5	Turkey	3
Hong Kong	3	Bangladesh	4	Hong Kong	2
Srilanka	3	Srilanka	1	Bangladesh	2
Vietnam	1	Taiwan	1	Thailand	1
Malaysia	1	Turkey	1	Taiwan	1
Taiwan	1	Germany	1	Germany	1
Egypt	1				
Germany	1				
Philippines	1				
Total for Others	52	Total for Others	70	Total for Others	60
Others not Listed	7	Others not Listed	5	Others not Listed	3
Grand Total	60	Grand Total	77	Grand Total	64

Source: Global Trade Atlas.

TABLE 7. COTTON FABRIC IMPORT TRADE MATRIX (CY 2011 - 2013)

**Import Trade Matrix**

<b>Country</b>	Indonesia				
<b>Commodity</b>	Fabric				
Units:	1,000 MT	Units:			
Time Period	Jan-Dec	Time Period	Jan-Dec	Time Period	Jan-Jul
Exports for:	2011	Exports for:	2012	Exports for:	2013
U.S.	0	U.S.	1	U.S.	0
Others		Others		Others	
China	271	China	234	China	22
Korea, Rep. of	100	Korea, Rep. of	92	Korea, Rep. of	7
Hong Kong	88	Hong Kong	71	Hong Kong	7
Taiwan	18	India	18	Taiwan	1
Pakistan	13	Taiwan	15	Pakistan	1
India	12	Pakistan	12	India	1
Vietnam	9	Vietnam	10	Vietnam	1
Malaysia	5	Japan	4		
Thailand	4	Malaysia	2		
Japan	3	Thailand	2		


Total for Others	523	Total for Others	460	Total for Others	40
Others not Listed	3	Others not Listed	2	Others not Listed	2
Grand Total	526	Grand Total	463	Grand Total	42

Source: Global Trade Atlas.

TABLE 8. COTTON FABRIC EXPORT TRADE MATRIX (CY 2011 - 2012)

**Export Trade Matrix**

Country	Indonesia				
Commodity	Fabric				
Units:	1,000 MT				
Time Period	Jan-Dec		Jan-Dec		Jan-Jul
	2011		2012		2013
U.S.	14	U.S.	15	U.S.	1
Others		Others		Others	
Japan	59	Japan	48	Japan	4
Bangladesh	15	Belgium	14	Belgium	1
Turkey	8	Italy	8	Italy	1
Vietnam	8	Bangladesh	7	Bangladesh	1
Belgium	8	Turkey	7	Turkey	1
China	6	Korea Rep. of	6	Korea Rep. of	1
Germany, Fed. Rep.	6	China	5	China	1
Italy	6	Netherlands	5	Netherlands	1
Thailand	5	Portugal	5	Vietnam	1
Sri Lanka	4	Germany, Fed. Rep.	4		
Netherlands	4	Israel	4		
United Arab Emirates	3	Thailand	4		
Canada	3	United Arab Emirates	3		
Australia	3	Brazil	3		
Taiwan	3	Malaysia	3		
Brazil	3	Sri Lanka	2		
Egypt	2	Canada	2		
Portugal	2	Hong Kong	2		
South Africa	2	Australia	1		
Hong Kong	1	Taiwan	1		
Malaysia	1	Spain	1		
Singapore	1	Singapore	1		
Total for Others	153	Total for Others	136	Total for Others	12
Others not Listed	20	Others not Listed	18	Others not Listed	5
Grand Total	187	Grand Total	169	Grand Total	18

Source: Global Trade Atlas.

Note: Exchange rate is Rp. 11,561/\$ 1, as of November 25, 2013.

